

Message Text

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ACTION SS-25

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FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC IMMEDIATE 6314

INFO AMEMBASSY CANBERRA

AMEMBASSY CONAKRY

AMEMBASSY GEORGETOWN

AMEMBASSY PORT AU PRINCE

AMEMBASSY SANTO DOMINGO

AMEMBASSY PARAMARIBO

C O N F I D E N T I A L KINGSTON 4192

EXDIS

EO 11652: GDS

TAGS: EMIN, JM

SUBJECT: BAUXITE: MORE ON KAISER AGREEMENT

REF: KINGSTON 4177

1. IN HIS SPEECH TO PARLIAMENT YESTERDAY PRIME MINISTER
MANLEY PROVIDED MORE DETAIL ON THE AGREEMENT SIGNED YESTERDAY
MORNING BETWEEN THE GOJ AND KAISER. HEREWITH PERTINENT DATA
TO SUPPLEMENT INFO REPORTED REFTEL:

2. A. PARTICIPATION: A NEW COMPANY WILL BE FORMED WITH
51 PERCENT GOJ OWNERSHIP. GOJ WILL PAY KAISER APPROXIMATELY U.S.
FIFTEEN MILLION DOLLARS FOR ITS 51 PERCENT EQUITY. PAYMENT WILL BE
MADE OVER A PERIOD OF 10 YEARS WITH 3 1/2 PERCENT INTEREST
PER ANNUM ON THE UNPAID BALANCE. THE GOJ WILL BE GUARANTEED
AN ANNUAL PROFIT EQUIVALENT TO 12 PERCENT OF PURCHASE PRICE
PAID FOR ITS EQUITY

3. B. LAND: THE COMPANY WILL SELL THE GOVERNMENT SOME
40,000 ACRES OF LAND AT "WRITTEN-DOWN BOOK VALUE". THE
GOJ EXPECTS TO PAY ABOUT U.S. EIGHT MILLION DOLLARS FOR
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THE LAND. PAYMENT WILL BE MADE IN 10 EQUAL ANNUAL INSTALL-

MENTS. GOJ WILL ALSO PAY INTEREST ON THE UNPAID BALANCE AT A RATE OF 7 PERCENT PER ANNUM. THE NEW COMPANY WILL LEASE BACK LANDS REQUIRED FOR ITS OPERATIONS AND PAY A RATE EQUIVALENT TO 7 PERCENT PER ANNUM OF THE PURCHASE PRICE.

4. C. RESERVES: THE NEW COMPANY WILL BE GUARANTEED SUFFICIENT RESERVES FOR 30 YEARS OF OPERATIONS AT CURRENT LEVELS WITH AN OPTION FOR AN ADDITIONAL 10 YEARS IF THEY CONTINUE TO MINE AT LEAST THE CURRENT RATE.

5. D. REVENUES: NO SIGNIFICANT CHANGE FROM REFTTEL.

6. PM MANLEY ANNOUNCED THAT KAISER WOULD WITHDRAW ITS PROCEEDINGS WITH ICSID AS A RESULT OF HAVING ACHIEVED AGREEMENT WITH THE GOVERNMENT ON ALL ISSUES.

7. PM ALSO INDICATED THAT ABOUT 30,000 ACRES OF THE 40,000 TO BE TAKEN OVER FROM KAISER WOULD BE AVAILABLE FOR AGRICULTURAL PURPOSES, AND THAT THE GOVERNMENT WOULD IMMEDIATELY MOVE TO DEVELOP THESE AREAS. IT IS WORTH NOTING THAT IN REACHING AGREEMENT THE GOJ ABANDONED ANY CLAIMS IT MAY HAVE HAD TO AN ALLOWANCE IN ITS FAVOR FOR DEPRECIATION OR DEPLETION, AND KAISER ABANDONED CLAIMS TO AN ALLOWANCE IN ITS FAVOR FOR SURFACE IMPROVEMENTS

8. WE HOPE TO SECURE A COPY OF THE AGREEMENT IN THE NEXT SEVERAL DAYS AND WILL FORWARD IT BY POUCH. GERARD

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